



中國富強金融集團
CHINA FORTUNE
FINANCIAL GROUP

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 290)

Interim Report
2012





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Corporate Information

Board of Directors

Executive Directors

Mr. ZHANG Min (*Chairman*)
Mr. NG Cheuk Fan Keith (*Managing Director*)
Mr. HON Chun Yu
Mr. XIA Yingyan

Non-Executive Director

Mr. WONG Kam Fat Tony (*Vice-Chairman*)
Mr. WU Ling

Independent Non-Executive Directors

Mr. LAM Ka Wai Graham
Mr. NG Kay Kwok
Mr. TAM B Ray Billy

Company Secretary

Mr. CAI Chun Fai

Authorised Representatives

Mr. NG Cheuk Fan Keith
Mr. CAI Chun Fai

Audit Committee

Mr. NG Kay Kwok (*Chairman*)
Mr. LAM Ka Wai Graham
Mr. TAM B Ray Billy

Remuneration Committee

Mr. LAM Ka Wai Graham (*Chairman*)
Mr. ZHANG Min
Mr. NG Kay Kwok
Mr. TAM B Ray Billy

Nomination Committee

Mr. TAM B Ray Billy (*Chairman*)
Mr. LAM Ka Wai Graham
Mr. NG Cheuk Fan Keith
Mr. NG Kay Kwok

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Registered Office

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Grand Cayman, KY1-1104
Cayman Islands

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Principal Bankers

China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
Standard Chartered Bank (Hong Kong) Limited

Legal Advisers

as to Hong Kong Law
Li & Partners

as to Cayman Islands Law
Maples and Calder

Cayman Islands Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
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Stock Code

0290

Website

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Report on Review of Condensed Consolidated Financial Statements

To the Board of Directors of China Fortune Financial Group Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Fortune Financial Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 4 to 31, which comprises the condensed consolidated statement of financial position as of 30 September 2012 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other Matters

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended 30 September 2011 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

SHINEWING (HK) CPA LIMITED

Certified Public Accountants

Chong Kwok Shing

Practising certificate number: P05139

Hong Kong

29 November 2012



The board (the "Board") of directors (the "Directors") of China Fortune Financial Group Limited (the "Company") announces the condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012 (the "Period") together with the comparative figures for the corresponding period in 2011. The Group's interim results for the Period are unaudited, but have been reviewed by the Company's auditor, SHINEWING (HK) CPA Limited ("SHINEWING") and the audit committee of the Company (the "Audit Committee").

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited) (Restated)
Continuing operations			
Turnover	3	25,107	16,656
Cost of securities brokerage and margin financing		(1,449)	(2,364)
Other revenue	5	4,614	4,996
Depreciation		(2,866)	(644)
Salaries and allowances		(20,986)	(17,296)
Change in fair value of financial assets designated as fair value through profit or loss		3,716	–
Change in fair value of derivative component of convertible loan notes		4,732	50,443
Gain on early redemption of guaranteed exchangeable notes		–	3,369
Loss on disposal of subsidiaries	21	–	(924)
Impairment losses recognised in respect of trade receivables		(24,936)	–
Other operating and administrative expenses		(19,560)	(26,045)
Share of profits of associates		759	–
Share of losses of jointly controlled entities		(122)	–
Finance costs	6	(5,741)	(8,025)
(Loss) profit before tax	7	(36,732)	20,166
Income tax expense	8	–	(1,425)
(Loss) profit for the period from continuing operations		(36,732)	18,741
Discontinued operations			
Profit (loss) for the period from discontinued operations	9	2,587	(5,676)
(Loss) profit for the period		(34,145)	13,065
Other comprehensive income (expense):			
Share of other comprehensive income of associates		25	–
Share of other comprehensive income of jointly controlled entities		14	–
Reclassification adjustments for the cumulative gains included in condensed consolidated statements of comprehensive income upon disposal of foreign subsidiaries during the period		(391)	–
Exchange differences arising on translation of foreign operations		374	19
Other comprehensive income for the period		22	19
Total comprehensive (expense) income for the period		(34,123)	13,084



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Notes	Six months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited) (Restated)
(Loss) profit for the period attributable to:			
Owners of the Company		(33,979)	13,280
Non-controlling interests		(166)	(215)
		(34,145)	13,065
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(33,959)	13,299
Non-controlling interests		(164)	(215)
		(34,123)	13,084
		HK cents	HK cents (Restated)
(Loss) earnings per share	11		
From continuing and discontinued operations			
Basic		(1.07)	0.45
Diluted		(1.07)	(0.98)
From continuing operations			
Basic		(1.15)	0.64
Diluted		(1.15)	(0.83)



Condensed Consolidated Statement of Financial Position

As at 30 September 2012

	Notes	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	12	12,243	11,588
Intangible assets		–	–
Club membership debentures		6,610	6,610
Other non-current assets		230	275
Goodwill		3,994	3,994
Available-for-sale financial assets		8	1,448
Interests in associates	13	6,414	–
Interests in jointly controlled entities	14	8,130	8,238
Deposits		3,345	3,345
		40,974	35,498
Current assets			
Investments held for trading		27,804	14,915
Trade receivables	15	163,379	210,405
Loan receivables	16	54,794	55,270
Amounts due from associates	13	58,403	–
Amounts due from jointly controlled entities	14	70,000	32,308
Other receivables, deposits and prepayments		3,204	3,221
Convertible instruments designated as financial assets at fair value through profit or loss		–	60,317
Derivative component of convertible loan notes		2,297	4,924
Amount due from a non-controlling shareholder of a subsidiary		374	125
Bank balances and cash – trust	17	73,645	38,233
Bank balances and cash – general		39,816	69,251
		493,716	488,969
Assets classified as held for sale		–	108,512
		493,716	597,481



Condensed Consolidated Statement of Financial Position

As at 30 September 2012

	Notes	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Current liabilities			
Trade payables, other payables and accruals	18	113,238	43,467
Bank and other borrowings	19	52,954	54,328
Derivative component of convertible loan note		–	7,359
Convertible loan notes		–	31,424
Tax payable		720	757
		166,912	137,335
Liabilities associated with assets held for sale		–	94,976
		166,912	232,311
Net current assets		326,804	365,170
Total assets less current liabilities		367,778	400,668
Capital and reserves			
Share capital	20	316,609	316,609
Reserves		8,237	43,293
Equity attributable to the owners of the Company		324,846	359,902
Non-controlling interests		108	720
Total equity		324,954	360,622
Non-current liability			
Convertible loan notes		42,824	40,046
		367,778	400,668



Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital	Share premium	Share warrants reserve	Translation reserve	Convertible loan notes equity reserve	Special reserve	Capital reserve	Acc-umulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2011											
At 1 April 2011 (audited)	251,202	377,550	552	9	15,840	13,524	1,863	(347,932)	312,608	145	312,753
Other comprehensive income for the period:											
– Exchange differences arising on translation of foreign operations	-	-	-	19	-	-	-	-	19	-	19
Profit (loss) for the period	-	-	-	-	-	-	-	13,280	13,280	(215)	13,065
Total comprehensive income (expense) for the period	-	-	-	19	-	-	-	13,280	13,299	(215)	13,084
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	125	125
Issue of new shares	15,000	34,500	-	-	-	-	-	-	49,500	-	49,500
Transaction costs attributable to issue of new shares	-	(491)	-	-	-	-	-	-	(491)	-	(491)
Issue of new shares upon conversion of convertible loan notes	41,207	14,889	-	-	(5,006)	-	-	-	51,090	-	51,090
At 30 September 2011 (unaudited)	307,409	426,448	552	28	10,834	13,524	1,863	(334,652)	426,006	55	426,061



Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Convertible loan notes equity reserve	Special reserve	Capital reserve	Other reserve	Acc-umulated losses	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2012											
At 1 April 2012 (audited)	316,609	431,725	32	13,683	13,524	1,863	-	(417,534)	359,902	720	360,622
Other comprehensive income (expense) for the period:											
- Exchange differences arising on translation of foreign operations	-	-	372	-	-	-	-	-	372	2	374
- Share of other comprehensive income of jointly controlled entities	-	-	14	-	-	-	-	-	14	-	14
- Share of other comprehensive income of associates	-	-	25	-	-	-	-	-	25	-	25
- Reclassification adjustments for the cumulative gains included in condensed consolidated statements of comprehensive income upon disposal of foreign subsidiaries during the period	-	-	(391)	-	-	-	-	-	(391)	-	(391)
Loss for the period	-	-	-	-	-	-	-	(33,979)	(33,979)	(166)	(34,145)
Total comprehensive income (expense) for the period	-	-	20	-	-	-	-	(33,979)	(33,959)	(164)	(34,123)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	249	249
Lapse of conversion option (Note d)	-	-	-	(6,597)	-	-	-	6,597	-	-	-
Acquisition of non-controlling interest of a subsidiary (Note e)	-	-	-	-	-	-	(1,097)	-	(1,097)	(697)	(1,794)
At 30 September 2012 (unaudited)	316,609	431,725	52	7,086	13,524	1,863	(1,097)	(444,916)	324,846	108	324,954

Notes:

- (a) The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.
- (b) The capital reserve represents the contributions made by the controlling shareholder under the corporate reorganisation of the Group.
- (c) Other reserves comprise reserves arising from transactions with the non-controlling interests.
- (d) On 29 June 2011, conversion option of approximately HK\$6,597,000 was lapsed upon expiry of exercise period and was transferred to accumulated losses.
- (e) During the six months ended 30 September 2012, the Group acquired the remaining 20% interests in Fortune Financial Capital Limited, a non wholly-owned subsidiary of the Group at a consideration of HK\$1,794,000. The carrying amount of non-controlling interests prior to the acquisition of the remaining interests amounted to approximately HK\$697,000.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(226)	10,915
Net cash (used in) from investing activities	(32,674)	133,474
Net cash used in financing activities	(5,555)	(50,455)
Net (decrease) increase in cash and cash equivalents	(38,455)	93,934
Cash and cash equivalents at 1 April	77,897	44,747
Effect of foreign exchange rate changes	374	–
Cash and cash equivalents at 30 September	39,816	138,681
Cash and cash equivalents at 30 September, represented by		
Bank balance and cash – general	39,816	130,857
Bank balance and cash – general classified as assets held for sale	–	7,824
	39,816	138,681



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2012

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rule**”).

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In addition, during the six months ended 30 September 2012, the Group acquired 25% equity interests in Media Eagle Limited (“**Media Eagle**”) and its subsidiaries (collectively referred to as “**Media Eagle Group**”) by conversion of exchangeable note. Upon completion of the conversion, Media Eagle Group is classified as an associate of the Group. The accounting policy of the investments in associates is described below.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associates. When the Group’s share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.



2. Principal Accounting Policies (Continued)

Investments in Associates (Continued)

The requirements of HKAS 39 – Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standard (the "HKFRSs") issued by the HKICPA.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvement 2009-2011 Cycle ²
Amendments to HKFRS 1	Government Loans ²
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 10	Financial Instruments ⁴
HKFRS 11	Consolidated Financial Statements ²
HKFRS 12	Joint Arrangement ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ²
Amendments to HKAS 1	Fair Value Measurement ²
HKAS 19 (as revised in 2011)	Presentation of Items of Other Comprehensive Income ¹
HKAS 27 (as revised in 2011)	Employee Benefits ²
HKAS 28 (as revised in 2011)	Separate Financial Statements ²
Amendments to HKAS 32	Investments in Associate and Joint Ventures ²
HK(IFRIC) – Int 20	Offsetting Financial Assets and Financial Liabilities ³
	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.



3. Turnover

Turnover represents the aggregate net gain (loss) from trading of listed securities, service fee income, interest income and dividend income. An analysis of the Group's turnover for the period is as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Dividend income	217	219
Income from securities and insurance brokerage business	5,348	11,541
Interest income from money lending business	5,187	4,340
Margin interest income from securities brokerage business	9,373	17,525
Net gain (loss) on trading of listed securities	2,092	(18,521)
Other consultancy and subscription service income	830	1,552
Service income from corporate finance	2,060	–
	25,107	16,656



4. Segment Information (Continued)

For the Six Months Ended 30 September 2011

Continuing Operations

	Broking and margin financing HK\$'000	Proprietary trading HK\$'000	Money lending HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Turnover						
External turnover	29,066	(18,302)	4,340	1,552	–	16,656
Inter-segment turnover (Note)	–	–	–	1,778	(1,778)	–
	29,066	(18,302)	4,340	3,330	(1,778)	16,656
Segment profit (loss)	16,949	(18,279)	4,340	(631)	–	2,379
Unallocated operating income						3,643
Unallocated operating expense						(30,719)
Gain on early redemption of guaranteed exchangeable notes						3,369
Change in fair value of derivative component of convertible loan notes						50,443
Loss on disposal of subsidiaries						(924)
Finance costs						(8,025)
Profit before tax						20,166

Note: Inter-segment sales are charged at prevailing market prices.

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit attributable to each segment without allocation of administrative expenses, change in fair value of financial assets designated as fair value through profit or loss, gain on early redemption of guaranteed exchangeable notes, change in fair value of derivative component of convertible loan notes, loss on disposal of subsidiaries, share of profits of associates, share of losses of jointly controlled entities, finance costs and interest income from financial institutions. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.



4. Segment Information (Continued)

The following is an analysis of the Group's assets by reportable and operating segments:

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Segment assets		
Broking and margin financing	238,057	248,080
Proprietary trading	27,804	14,915
Corporate finance	4,264	6,165
Money lending	54,794	55,270
Others	684	344
Total segment assets	325,603	324,774
Assets relating to discontinued operations	–	108,512
Unallocated	209,087	199,693
Consolidated total assets	534,690	632,979

All assets are allocated to reportable segments other than plant and equipment for general operations, club membership debentures, interests in associates, interests in jointly controlled entities, available-for-sale financial assets, amounts due from jointly controlled entities and associates, certain other receivables, deposits and prepayments, derivative component of convertible loan notes, convertible instruments designated at financial assets at fair value through profit or loss and bank balances and cash – general.



5. Other Revenue

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Commission income	–	1,200
Gain on disposal of available-for-sales financial assets	159	–
Gain on disposal of plant and equipment	127	–
Handling charges	449	138
Interest income on financial institutions	254	357
Loan arrangement fee income	245	–
Net exchange gain	–	509
Referral fee income	–	2,753
Reversal of impairment loss on trade receivables	3,295	–
Sundry income	85	39
	4,614	4,996

6. Finance Costs

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank and other borrowings – wholly repayable within five years	2,387	5,665
Imputed interest expenses on convertible loan notes	3,354	2,360
	5,741	8,025

7. (Loss) Profit Before Tax

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
(Loss) profit before tax from continuing operations has been arrived at after charging:		
Written off of plant and equipment	60	–
Written off of trade receivables	491	–
Operating lease in respect of rented premises	7,686	9,882
Staff costs, including directors' remuneration	20,632	16,816
Retirement benefit scheme contributions	354	480



8. Income Tax Expense

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
Hong Kong Profits Tax		
– Provision for the period	–	1,425

Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six months ended 30 September 2012 and 2011. No provision for Hong Kong Profits Tax have been made for the six months ended 30 September 2012 as the Group had no assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during the six months ended 30 September 2012 and 2011.

9. Discontinued Operations

On 29 July 2011, Fortune Financial (Holdings) Limited ("Fortune Financial"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement for the sale of the entire issued share capital in Excalibur Future Limited ("EFL") and its subsidiaries (collectively referred to as "EFL Group") which was engaged in the future brokerage business and included in broking and margin financing segment, to New Century Excalibur Holdings Limited ("New Century"), an independent third party to the Group, for a consideration of HK\$15,880,000.

The disposal of entire interests in EFL Group was completed on 31 May 2012. The operations of future brokerage business carried out by the EFL Group up to the date of disposal were presented in the condensed consolidated financial statements of the Group as discontinued operations.

The results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows are set out below.

The profit (loss) for the six months ended 30 September 2012 and 2011 is analysed as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on the discontinued operation for the period	(420)	(5,676)
Gain on disposal of subsidiaries (Note 21(a))	3,007	–
	2,587	(5,676)



9. Discontinued Operations (Continued)

	Two months ended 31 May 2012 HK\$'000 (Unaudited)	Six months ended 30 September 2011 HK\$'000 (Unaudited)
Turnover	7,835	10,613
Cost of sales and services rendered	(1,996)	(4,887)
Gross profit	5,839	5,726
Other revenue	88	276
(Loss) gain on disposal of investments held for trading	(269)	134
Other operating and administrative expenses	(6,078)	(11,812)
Loss before tax from discontinued operations	(420)	(5,676)
Income tax expense	–	–
Loss for the period	(420)	(5,676)
Loss for the period from discontinued operations included the following:		
Depreciation	142	293
Operating lease in respect of rented premises	1,425	3,419
Staff costs	1,033	3,613
Retirement benefit scheme contributions	30	185
The cash flows of the discontinued operations were as follows:		
Net cash inflow from operating activities	3,649	1,689
Net cash inflow from investing activities	70	29
Net cash outflow from financing activities	(3,104)	(1,571)
Total cash inflow	615	147



10. Dividends

No dividends were paid, declared or proposed during the interim period. The Directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

11. (Loss) Earnings Per Share

From Continuing and Discontinued Operations

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
(Loss) profit for the period attributable to the owners of the Company for the purpose of computation of basic (loss) earnings per share	(33,979)	13,280
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	–	(50,443)
Loss for the period attributable to the owners of the Company for the purpose of computation of diluted loss per share	(33,979)	(37,163)

The weighted average number of ordinary shares for the purpose of computation of diluted loss per share reconciled to the weighted average number of ordinary shares used in the calculation of basic (loss) earnings per share as follows:

	At 30 September 2012 '000	At 30 September 2011 '000
	Number of shares	
Weighted average number of ordinary shares for the purpose of computation of basic (loss) earnings per share	3,166,086	2,980,915
Effect of dilutive potential ordinary shares:		
Options to subscribe for the optional convertible loan notes (Note)	–	800,000
Weighted average number of ordinary shares for the purpose of computation of diluted loss per share	3,166,086	3,780,915

Note: Balance represents the option to subscribe for the optional convertible loan notes to be issued by the Company in a maximum principal sum of HK\$128,000,000 convertible into maximum of 800,000,000 ordinary shares at HK\$0.16 each.



11. (Loss) Earnings Per Share (Continued)

From Continuing and Discontinued Operations (Continued)

The calculation of the diluted loss per share for the six months ended 30 September 2012 does not assume the conversion of the convertible loan notes and options to subscribe for the optional convertible loan notes since their conversion would result in a decrease in basic loss per share.

The calculation of the diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the convertible loan notes and share warrants since their conversion would result in a decrease in diluted loss per share.

From Continuing Operations

The calculation of the basic (loss) earnings per share from continuing operations attributable to the owners of the Company for the period is based on the following data:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to owners of the Company	(33,979)	13,280
Less: profit (loss) for the period from discontinued operations (Note 9)	2,587	(5,676)
(Loss) profit for the period for the purpose of computation of basic and diluted (loss) earnings per share from continuing operations	(36,566)	18,956
Effect of dilutive potential ordinary shares:		
Change in fair value of derivative component of convertible loan notes	-	(50,443)
Loss for the period attributable to the owners of the Company for the purpose of computation of diluted loss per share	(36,566)	(31,487)

The denominators used are the same as those detailed above for basic and diluted (loss) earnings per share.

The calculation of the diluted loss per share for the six months ended 30 September 2012 does not assume the conversion of the convertible loan notes and options to subscribe for the optional convertible loan notes since their conversion would result in a decrease in basic loss per share.

The calculation of the diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the convertible loan notes and share warrants since their conversion would result in a decrease in diluted loss per share.

From Discontinued Operations

Basic and diluted earnings per share for the discontinued operations for the six months ended 30 September 2012 was HK\$0.08 cents per share, based on the profit for the period from the discontinued operations attributable to the owners of the Company of approximately HK\$2,587,000 and the denominators detailed above for basic and diluted earnings per share for the six months ended 30 September 2012.

Basic and diluted loss per share for the discontinued operations for the six months ended 30 September 2011 was HK\$0.19 cents per share, based on the loss for the period from the discontinued operations attributable to the owners of the Company of approximately HK\$5,676,000. The calculation of the diluted loss per share for the six months ended 30 September 2011 does not assume the conversion of the convertible loan notes, options to subscribe for the optional convertible loan notes and share warrants since their conversion would result in a decrease in basic loss per share.



12. Plant and Equipment

During the six months ended 30 September 2012, the Group spent approximately HK\$3,834,000 (six months ended 30 September 2011: HK\$9,151,000) for the acquisition of plant and equipment.

Plant and equipment with a net carrying value of approximately HK\$253,000 (six months ended 30 September 2011: nil) were disposed of by the Group for cash proceeds of approximately HK\$380,000, resulting in a net gain on disposal of approximately HK\$127,000 (six months ended 30 September 2011: nil).

13. Interests in Associates

	At 30 September 2012 HK\$'000 (Unaudited)
Cost of unlisted investments in associates	5,630
Share of post-acquisition profits and other comprehensive income	784
	6,414
Amounts due from associates	58,403

The amounts due from associates are unsecured, interest-free and repayable on demand. The amount is denominated in United States Dollars ("US\$").

Details of the associates as at 30 September 2012 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group 2012	Principal activity
Media Eagle	Limited liability company	Hong Kong	Ordinary shares	25%	Investment holding
City Eagle Holdings Limited	Limited liability company	Hong Kong	Ordinary shares	25%	Investment holding
Chongqing Liangjiang New Area Small Loan Business Limited*	Limited liability company	The PRC	Registered capital	25%	Provision of small loan financing services in Chongqing City of the PRC

* The English transliteration of the Chinese name in this interim report, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.



13. Interests in Associates (Continued)

The above unlisted investments in associates represents 25% equity interest in Media Eagle Group. On 22 August 2012, Gold Kingdom Limited, a wholly-owned subsidiary of the Company ("**Gold Kingdom**") exercised its right to convert the exchangeable note at a fair value of HK\$64,033,000 into 25% of equity interests in Media Eagle and interest-free on-demand loan of US\$7,500,000 (equivalent to approximately HK\$58,403,000) due from Media Eagle to Jovial Lead.

Included in the cost of investment in associates is goodwill of approximately HK\$4,841,000 arising on acquisition of associates during the six months ended 30 September 2012.

14. Interests in Jointly Controlled Entities

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Cost of unlisted investments in jointly controlled entities	8,077	8,077
Share of post-acquisition profits and other comprehensive income	53	161
	8,130	8,238
Amounts due from jointly controlled entities	70,000	32,308

The amounts due from jointly controlled entities are unsecured, interest-free and repayable on demand.

Details of the jointly controlled entities as at 30 September 2012 and 31 March 2012 are as follows:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Percentage of nominal value of issued capital held by the Group		Principal activity
				30 September 2012	31 March 2012	
Measure Up International Limited (" Measure Up ")	Limited liability company	British Virgin Islands (the " BVI ")	Ordinary shares	35%	35%	Investment holding
Lucky Target Property Agency Limited	Limited liability company	Hong Kong	Ordinary shares	35%	35%	Investment holding
Rongtong Finance Lease (Shanghai) Company Limited*	Limited liability company	PRC	Registered capital	35%	35%	Provision of finance lease service

* The English transliteration of the Chinese name in this interim report, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

The above unlisted investments in jointly controlled entities represented the 35% equity interest in Measure Up and its subsidiaries ("**Measure Up Group**"). On 21 December 2011, the Group had entered into a sale and purchase agreement with Ever Step Holdings Limited ("**Ever Step**"), an independent third party, to acquire 35% of interests in Measure Up and an interest-free on-demand loan of approximately HK\$32,308,000 due from Measure Up to Ever Step at a consideration of approximately HK\$40,385,000. The consideration was satisfied by the issue of a convertible loan notes which will be due on 20 December 2014 with an aggregate principal amount of approximately HK\$40,385,000. Further details are set out in the Company's announcement dated 21 December 2011.



14. Interests in Jointly Controlled Entities (Continued)

The Group holds 35% of the ordinary shares of Measure Up and controls 35% of the voting power in the general meeting. Under a shareholders' agreement, the major financing and operational decisions of Measure Up should be unanimously approved by the Group and other venturer. Therefore, Measure Up Group is regarded as jointly controlled entities of the Group.

Included in the cost of investment in jointly controlled entities is goodwill of approximately HK\$7,044,000 (31 March 2012: HK\$7,044,000) arising on acquisition of jointly-controlled entities during the year ended 30 September 2012.

15. Trade Receivables

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Trade receivables from the business of dealing in securities		
– clearing houses and cash clients	2,974	6,680
– margin clients	254,293	273,965
Trade receivables from other businesses	642	2,749
	257,909	283,394
Less: Impairment losses recognised	(94,530)	(72,989)
	163,379	210,405

The settlement terms of trade receivable arising from the business of dealing in securities are two days after trade date.

The Group allows a credit period of 30 days (31 March 2012: 30 days) to its trade receivables from other business.

No ageing analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, the Directors of the Company consider that the ageing analysis does not give additional value in the view of the nature of business of margin financing.

The following is an aged analysis of trade receivables (excluded margin clients), net of impairment losses, at the end of each reporting period:

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Less than 30 days	918	2,375
31–60 days	39	305
61–90 days	119	60
Over 90 days	1,729	4,382
	2,805	7,122



15. Trade Receivables (Continued)

Trade receivables in relation to cash and margin clients are secured by the clients' pledged securities at fair values of approximately HK\$483,295,000 (31 March 2012: HK\$513,837,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions.

Movements in the impairment loss of trade receivables in aggregate during the period/year are as follow:

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Balance at beginning of the period/year	72,989	16,495
Reclassified as assets held for sale	–	(6,373)
Amounts written off as uncollectible	(100)	–
Reversal of impairment loss recognised	(3,295)	(824)
Recognised impairment loss during the period/year	24,936	63,691
Balance at end of the period/year	94,530	72,989

During the six months ended 30 September 2012, trade receivables of HK\$491,000 are written off as the directors consider that the recoverability of the trade receivables are remote.

16. Loan Receivables

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Secured loan receivables	31,605	10,016
Unsecured loan receivables	23,189	45,254
Total	54,794	55,270

The secured loan receivables are secured by the equity shares of a listed company and an unlisted company and bear interest at a fixed interest rate ranging from 8% to 23% per annum (31 March 2012: 12% per annum).

The unsecured loan receivables bear interest at a rate ranging from 20% to 30% per annum (31 March 2012: 20% to 30% per annum).



16. Loan Receivables (Continued)

The following table illustrated the ageing analysis, based on the loan drawn down date, of the loan receivables outstanding at the end of the reporting period:

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Less than 30 days	800	45,254
31–60 days	13,918	–
61–90 days	724	–
Over 90 days	39,352	10,016
	54,794	55,270

The loan receivables are due for settlement at the date specified in the respective loan agreements.

17. Bank Balances and Cash – Trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities brokerage and financing business. The Group classified the clients' monies as bank balances and cash – trust under the current assets of the condensed consolidated statement of financial position and recognised the corresponding trade payables to respective clients on the ground that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

18. Trade Payables, Other Payables and Accruals

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Trade payables from the business of dealing in securities:		
– margin and cash clients	77,839	35,929
Other payables and accruals	35,399	7,538
	113,238	43,467

For trade payables, no ageing analysis is disclosed for the Group's margin and cash clients as these clients were carried on an open account basis, the ageing analysis does not give additional value in the view of the nature of business of margin financing.

On 30 June 2009, the Company issued zero coupon convertible bonds which were due on 30 June 2012 with an aggregate principal amount of HK\$32,000,000. Upon maturity on 30 June 2012, the convertible bonds were not converted and became due for repayment. It was therefrom reclassified as other payable. It has not yet been settled by the Group as at 30 September 2012. The aforesaid amount of HK\$32,000,000 is unsecured, repayable on demand and interest-free. The Group is still negotiating the settlement terms with the convertible bonds holder.



19. Bank and Other Borrowings

During the six months ended 30 September 2012, the Group repaid other borrowings of approximately HK\$1,374,000. The bank and other borrowings are unsecured, bear the interest at rates ranging from 3.6% to 10% per annum (31 March 2012: ranging from 3.6% to 10% per annum) and are repayable within one year.

20. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 April 2011 (audited), 31 March 2012 (audited) and 30 September 2012 (unaudited)	5,000,000,000	500,000
Issued and fully paid:		
At 1 April 2011 (audited)	2,512,023,000	251,202
Issue of shares (Note a)	150,000,000	15,000
Conversion of convertible loan notes (Note b)	492,063,000	49,207
Exercise of share warrants (Note c)	12,000,000	1,200
At 31 March 2012 (audited) and 30 September 2012 (unaudited)	3,166,086,000	316,609

Notes:

- (a) Pursuant to a conditional placing agreement dated 12 May 2011 between the Company and Fortune (HK) Securities Limited ("F(HK)SL"), a wholly-owned subsidiary of the Company, F(HK)SL agreed to place 150,000,000 new shares at the price of HK\$0.33 per placing share. These new shares were issued under the general mandate granted at the annual general meeting of the Company held on 15 June 2011. All conditions of the placing agreement have been fulfilled and completion of the placing agreement took place on 14 July 2011. Details of the transaction were set out in the Company's announcement dated 14 July 2011.
- (b) On 7 April 2011, the convertible loan notes of the Company with aggregated principal amount of HK\$51,200,000 was converted into 320,000,000 ordinary shares of HK\$0.10 each at the conversion prices of HK\$0.16.
- On 4 May 2011, the convertible loan notes of the Company with aggregated principal amount of HK\$4,000,000 was converted into 40,000,000 ordinary shares of HK\$0.10 each at the conversion prices of HK\$0.10.
- On 11 May 2011, the convertible loan notes of the Company with aggregated principal amount of HK\$2,450,000 was converted into approximately 15,313,000 ordinary shares of HK\$0.10 each at the conversion prices of HK\$0.16.
- On 24 May 2011, the convertible loan notes of the Company with aggregated principal amount of HK\$5,880,000 was converted into 36,750,000 ordinary shares of HK\$0.10 each at the conversion prices of HK\$0.16.
- On 20 February 2012, the convertible loan notes of the Company with aggregated principal amount of HK\$4,000,000 was converted into 40,000,000 ordinary shares of HK\$0.10 each at the conversion prices of HK\$0.10.
- On 22 February 2012, the convertible loan notes of the Company with aggregated principal amount of HK\$4,000,000 was converted into 40,000,000 ordinary shares of HK\$0.10 each at the conversion prices of HK\$0.10.
- (c) Pursuant to a written resolutions of the board of directors on 17 February 2009, the Company approved to grant remuneration warrants to Veda Capital Limited ("Veda Capital") who provided the service in regarding of resumption of trading in shares of the Company in the Stock Exchange. On 18 February 2009, the Group granted remuneration warrants to Veda Capital to subscribe for 12,000,000 shares at an exercise price of HK\$0.1 per share at any time between the issuance date of remuneration warrants and 36 months thereafter.

The registered holders of the warrants have exercised the warrants to subscribe for 12,000,000 shares at an exercise price of HK\$0.1 per share for the year ended 31 March 2012.

All new shares issued during the year ended 31 March 2012 ranked pari passu in all respects with other shares in issue.



21. Disposal of Subsidiaries

- (a) As mentioned in Note 9, the Group entered into an agreement to dispose of its entire equity interests in EFL Group to New Century. The completion of the disposal took place on 31 May 2012, upon which EFL Group ceased to be subsidiaries of the Group.

The net assets of EFL Group disposed of at the date of disposal and the gain on disposal of subsidiaries as at 31 May 2012 were as follows:

	HK\$'000
Net assets disposed of:	
Plant and equipment	2,231
Intangible assets	480
Other non-current assets	1,572
Trade and other receivables	32,463
Amounts due from fellow subsidiaries	2,911
Bank balances and cash – trust	51,707
Bank balances and cash – general	9,261
Trade and other payables	(83,820)
Tax payable	(630)
	16,175
Waiver on the amounts due from fellow subsidiaries	(2,911)
Release of translation reserve	(391)
Gain on disposal of subsidiaries (Note 9)	3,007
Cash consideration received	15,880
Satisfied by:	
Cash	15,880
Net inflow of cash and cash equivalents on disposal of subsidiaries	
Cash consideration	15,880
Bank balances and cash – general disposed of	(9,261)
	6,619



21. Disposal of Subsidiaries (Continued)

- (b) On 9 September 2011, the Group disposed of its 100% interests in General Win International Limited (“**General Win**”) and its subsidiary (collectively referred to as “**General Win Group**”) and an interest-free on-demand loan of approximately HK\$41,411,000 due to the Group (“**General Win Loan**”) at a consideration of HK\$3 to an independent third party.

Analysis of assets and liabilities over which control was lost:

	HK\$'000
Plant and equipment	773
Other receivables, deposits and prepayments	1,172
Bank balances and cash – general	347
General Win Loan	(41,411)
Other payables and accrued charges	(428)
Provision	(940)
	(40,487)
Assignment of General Win Loan	41,411
Loss on disposal of subsidiaries	(924)
	–
Cash consideration received	–
	–
Net outflow of cash and cash equivalents on disposal of subsidiaries	
Bank balances and cash – general disposed of	347

General Win Group contributed approximately cash outflow of approximately HK\$3,546,000 in respect of operating activities for the six months ended 30 September 2011.



22. Related Party Transactions

- (a) Except as disclosed elsewhere in the condensed consolidated financial statements, the significant related party transactions, which carried out in the normal course of the Group's business, are as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Brokerage commission received from Directors	24	62
Interest received from Directors	2	321

(b) Compensation of Key Management Personnel

All Directors were considered to be the key management personnel of the Group as at 30 September 2012 and 2011. The remuneration of Directors during the period is as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	6,501	6,377
Post-employment benefits	28	29
	6,529	6,406

The remuneration of Directors was determined by the remuneration committee having regard to the performance of individuals and market trends.



23. Operating Lease Commitments

The Group as Lessee

The Group leases certain of its offices premises under operating lease arrangements. Lease for properties are negotiated for a term ranging from three months to three years and rental are fixed at the inception of lease. No provision for contingent rent and terms of renewal were established in the lease.

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Within one year	13,627	16,694
In the second to fifth years inclusive	8,197	14,615
	21,824	31,309

24. Non-Cash Transaction

As stated in Note 13 to the condensed consolidated financial statements, the Group acquired 25% of interests in Media Eagle and an interest-free loan of HK\$58,403,000 due from Media Eagle to Jovial Lead at a consideration of US\$7,500,000 (equivalent to HK\$58,500,000) by the conversion of the exchangeable note.

25. Comparative

- (a) Certain comparative figures have been reclassified to conform to the presentation of the current period and such reclassification has no impact on the Group's (loss) profit for the period ended 30 September 2012 and 2011. In particular, for the purpose of better representation of the Group's activities.

Interest income from money lending business of approximately HK\$4,340,000 which had previously been recorded under "Other revenue" in the condensed consolidated financial statement for 2011, was reclassified to "Turnover".

Comparatives have been restated to conform to the presentation of the current period. However, the changes to the comparatives have not affected the condensed consolidated statement of financial position at 31 March 2012.

- (b) The diluted loss per share of (i) continuing and discontinued operations and (ii) continuing operations have been restated due to the corrections made on the loss for the purpose of diluted loss per share and the weighted average number of ordinary shares for the purpose of computation of diluted loss per share for the six months ended 30 September 2011.



Management Discussion and Analysis

Results

In the haze of Eurozone sovereign debt crisis, the global financial markets and economic activities experienced a drastic downturn and the Group's principal activities inevitably suffered. However, due to the contributions from the business from corporate finance and proprietary trading, the turnover of the Group's continuing operations increased by 50.74% to approximately HK\$25,107,000 for the Period (2011: HK\$16,656,000). The increase in our revenue was attributable to the completion of the acquisition of Fortune Financial Capital Limited in October 2011 and capital appreciation of the investment held. Profit of approximately HK\$2,587,000 (2011: loss of approximately HK\$5,676,000) was recorded from the discontinued operations following the disposal of the entire equity interest in EFL Group on 29 July 2011. Due to the reduction in brokerage commission income and margin interest income from securities brokerage business, decrease in gain in change of fair value of derivative component of convertible loan notes and the impairment of margin loan receivables, the Group's loss attributable to the owners of the Company was approximately HK\$33,979,000 for the Period, as compared to profit attributable to the owners of the Company of approximately HK\$13,280,000 in the corresponding period in 2011.

The basic loss per share from continuing operations was HK\$1.15 cents, as compared with earnings per share of HK\$0.64 cents in the corresponding period in 2011, while the overall loss per share for the Period was HK\$1.07 cents (2011: earnings per share of HK\$0.45 cents).

Review of Operations

Broking and Margin Financing

During the Period, triggered by the unresolved European debt issue and the tightening of monetary policy in China, the market sentiment remained weak although the Hang Seng Index exhibited gradual pick-up. Due to the pessimistic market sentiment, the Group recorded revenue of approximately HK\$14,729,000 from brokerage and margin financing business, representing a decrease of 49.33% as compared to the revenue of approximately HK\$29,066,000 for the same period in 2011.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our Shenzhen representative office to explore cross border business opportunities in securities trading and placement.

Proprietary Trading

During the Period, all the securities traded were shares listed on the Stock Exchange. This segment recorded net gains on trading of securities of HK\$2,092,000 and dividend income of HK\$217,000, as compared to net loss on trading of listed securities of HK\$18,521,000 and dividend income of HK\$219,000 for the same period in 2011.

Corporate Finance

The division is licensed under the Securities and Futures Ordinance to provide various corporate financial services. Apart from IPO-related services, the Group offers secondary market financing services, such as placing, right issue and advisory services on various corporate transactions including merger and acquisition.

With the commencement of the new business in corporate finance, the Group continues to allocate more resources to develop the corporate finance division for satisfying the needs of the customers. During the Period, the Group recorded revenue of approximately HK\$2,101,000 from the corporate finance division.

Money Lending

The performance of money lending business continued to be encouraging. The Group has been benefitting from a continual increase in interest income. During the Period, the Group recorded interest income from money lending of approximately HK\$5,187,000 (2011: HK\$4,340,000).



Other Businesses

During the Period, the Group recorded revenue from other business operations in the areas of financial communication service and other consultancy service of approximately HK\$2,685,000, representing a decrease of 19.37% as compared to the revenue of approximately HK\$3,330,000 for the same period in 2011. The Group aims to provide our clients with diversified products and services to suit their varying needs.

The Group expects that these businesses could contribute steady income with satisfactory return in the long run.

Discontinued Operation

The Group disposed of its entire equity interest in the EFL Group to New Century in May 2012. The operation of the future brokerage business carried out by EFL Group up to the date of disposal is presented in the condensed consolidated financial statements of the Group for the Period as discontinued operations.

Prospects

Owing to the global economic downturn and the pressure of inflation, the global investment sentiment remains weak, which in turn makes the PRC stand out as a global economic growth driver. Hong Kong plays an indispensable role as the primary Renminbi offshore centre and domestic outpost for overseas investment which has created abundant opportunities for the Group to diversify its financial business in the PRC and Hong Kong.

The Group has set its goal to be one of the major integrated financial service providers in the Greater China region, particularly targeting at the small-to-medium size capital markets in the PRC and Hong Kong. Capitalising on our strong network and connection nationwide, the Group will enjoy an overall business development.

During the Period, the Group's business has achieved significant progress. Acquisition of Fortune Financial Capital Limited completed at the end of 2011. Fortune Financial Capital Limited is a licensed corporation under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activities and has been approved by the Securities and Futures Commission of Hong Kong to act as the sponsor to listing which assists enterprises to be listed in Hong Kong and provides comprehensive financial advisory services. Through its diversified and comprehensive financial service platform, the Group will further expand its financial service business chain in the Greater China region.

Furthermore, in light of the rapid development of small-to-medium enterprises, the required capital chain is intensive. Under the tightening monetary policy imposed by the PRC government, the banks are unable to meet the demand of huge capital chain requirements from small-to-medium enterprises which leads to an increasing reliance on small loans in the market. In accordance with the data released by the People's Bank of China, as at the end of June 2012, there was a total of 5,267 small loan companies in the PRC with a loan balance of RMB489.259 billion. During a period of six months, there were 985 new small loan companies with an accrued new loans amounted to RMB97.7 billion. The Group has seized such opportunity to enter into the small loan and financial lease industry to explore the emerging financial markets which has achieved the result of recording profit during the Period. The Group will continue to seize the opportunity and step up its development to generate a long-term and stable cash flow through the small loan and financial lease industry.

According to the National Bureau of Statistics of China, there was a year-on-year increase of 7.7% in the PRC's Gross Domestic Product for the first three quarters. Various positive key indicators reflected that the domestic economy was gradually picking up. Looking forward, the Group will further consolidate and perfect its existing business in financial services and continue to seek opportunities for potential investments as well as merger and acquisition as and when appropriate in order to achieve a better return for the shareholders.



Capital Structure

As at 30 September 2012, the total issued shares capital of the Company was approximately HK\$316,609,000, comprising 3,166,085,668 shares of HK\$0.10 each.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries, the Group ensures that each of them maintains a liquid capital level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries complied with the liquid capital requirements under the Securities and Futures (Financial Resources) Rules.

Liquidity and Financial Resources and Gearing Ratio

During the Period, the Group mainly financed its operations by cash generated from operations and short-term bank and other borrowings.

As at 30 September 2012, the Group's current assets and current liabilities were approximately HK\$493,716,000 (as at 31 March 2012: HK\$488,969,000) and approximately HK\$166,912,000 (as at 31 March 2012: HK\$137,335,000) respectively, while the current ratio was about 2.96 times (as at 31 March 2012: 3.56 times).

As at 30 September 2012, the Group's aggregate cash and cash equivalents amounted to approximately HK\$39,816,000 (as at 31 March 2012: HK\$69,251,000), representing approximately 8.06% (as at 31 March 2012: approximately 14.16%) of current assets.

The Group had a total bank and other borrowings of approximately HK\$52,954,000 as at 30 September 2012 (as at 31 March 2012: approximately HK\$54,328,000). Other borrowings are primarily at fixed rates while bank borrowings were primarily at variable rates. All the Group's bank and other borrowings were denominated in Hong Kong Dollars. Since almost all revenue of the Group is in Hong Kong Dollars and Hong Kong Dollars is pegged to U.S. Dollars, there is no need for the Group to hedge its liabilities which are also substantially denominated in Hong Kong. During the Period, no financial instruments were used for hedging purposes.

As at 30 September 2012, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 28.78% (as at 31 March 2012: approximately 35.63%). The decrease was mainly due to repayment of loans during the Period.

As at 30 September 2012, the debt ratio, defined as total debts over total assets, was approximately 39.23% (as at 31 March 2012: 43.03%). The decrease was mainly due to the completion of the disposal of EFL Group during the Period.

Significant Investment

During the year ended 31 March 2012, Gold Kingdom Holdings Limited ("**Gold Kingdom**"), a wholly-owned subsidiary of the Company, subscribed the exchangeable note (the "**Exchangeable Note**") with principal amount of US\$7,500,000 (equivalent to approximately HK\$58,500,000) issued by Jovial Lead Limited ("**Jovial Lead**"). Jovial Lead is a wholly-owned subsidiary of Credit China Holdings Limited, a company with its shares listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Exchange Note bears 12% interest per annum with maturity on 15 November 2012. On 22 August 2012, Gold Kingdom acquired 25% of equity interest in Media Eagle Limited ("**Media Eagle**") and was assigned with the interest-free on-demand loan of US\$7,500,000 owed by Media Eagle upon exercise of the exchangeable rights attaching to the Exchangeable Note. Further details of the Exchangeable Note have been disclosed in the announcement of the Company dated 14 November 2011.

As at 30 September 2012, the Group held financial asset at fair value through profit or loss amounted to approximately HK\$27,804,000 (as at 31 March 2012: approximately HK\$14,915,000).



Material Acquisition and Disposal

In July 2011, Fortune Financial, a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with New Century pursuant to which Fortune Financial has agreed to disposal of its entire interest in EFL Group to New Century at the consideration of HK\$15,880,000. The transaction constituted a major and connected transaction of the Company, details of which were published in the Company's announcement dated 29 July 2011. The disposal was completed in May 2012.

Other than the acquisition of 25% of equity interest in Media Eagle as disclosed in the section headed "**Significant Investment**" above and completion of the disposal of EFL Group, there was no other material acquisition or disposal of the Group during the Period.

Contingent Liabilities

The Group had no material contingent liabilities at 30 September 2012 (at 31 March 2012: Nil).

Charge on the Group's Asset

No asset of the Group was subject to any charge as at 30 September 2012 (at 31 March 2012: Nil).

Risk Management

The Group has properly put in place credit management policies which cover examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

Foreign Currency Fluctuation

During the Period, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

Human Resources

As at 30 September 2012, the Group had 71 employees in total (at 31 March 2012: 128 employees). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.



Disclosure of Interests

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 September 2012, the interests and short positions of each of the Directors or chief executive of the Company and their associates in the shares (the "Share"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange of pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares and Underlying Shares:

Name of Director	Capacity	Interest in Shares	Interest in underlying Shares	Approximate percentage of the issued share capital of the Company
WONG Kam Fat Tony ("Mr. Wong") (Note 1)	Interest of controlled corporations	800,000,000	–	25.27%
XIA Yingyan ("Mr. Xia") (Note 1)	Interest of controlled corporations	800,000,000	–	25.27%

Note:

- Mr. Wong is the vice-chairman and a non-executive Director whereas Mr. Xia is an executive Director. Jadehero Limited (**"Jadehero"**), a company incorporated in the British Virgin Islands with limited liability, beneficially held 800,000,000 Shares as at 30 September 2012. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited. Mr. Wong is the sole beneficial owner of the entire equity interest in Marvel Steed Limited whereas Mr. Xia is the sole beneficial owner of the entire equity interest in Southlead Limited.

Save as disclosed above, as at 30 September 2012, none of the Directors nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



Substantial Shareholders' Interests

As at 30 September 2012, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares and underlying Shares:

Name of Shareholder(s)	Capacity	Interest in Shares	Interest in underlying Shares	Total interest in Shares/ underlying Shares	Approximate percentage of the issued share capital of the Company
Southlead Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	25.27%
Marvel Steed Limited (Note 1)	Interest of controlled corporation	800,000,000	–	800,000,000	25.27%
Jadehero (Note 1)	Beneficial owner	800,000,000	–	800,000,000	25.27%
China Cinda (HK) Asset Management Co., Limited (" China Cinda (HK) ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
Well Kent International Investment Company Limited (" Well Kent ") (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
China Cinda Asset Management Co., Limited (Note 2)	Interest of controlled corporation	500,000,000	–	500,000,000	15.79%
Mankind Investment Limited (" MIL ") (Note 2)	Beneficial owner	500,000,000	–	500,000,000	15.79%
China Railway Logistics Limited (Note 3)	Interest of controlled corporation	310,738,000	–	310,738,000	9.81%
Right Magic Limited (Note 3)	Beneficial owner	263,738,000	–	263,738,000	8.33%
SHI Zhi Jun (" Mr. Shi ") (Note 4)	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Kaiser Capital Holdings Limited (Note 4)	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Credit China Holdings Limited (Note 4)	Interest of controlled corporation	–	201,923,075	201,923,075	6.38%
Ever Step Holdings Limited (Note 4)	Beneficial owner	–	201,923,075	201,923,075	6.38%
SO Chi Yuk	Beneficial owner	200,000,000	–	200,000,000	6.32%

Notes:

- As at 30 September 2012, Jadehero beneficially held 800,000,000 Shares. Jadehero is owned as to 20% by Marvel Steed Limited and as to 80% by Southlead Limited.
- As at 30 September 2012, MIL beneficially held 500,000,000 Shares. MIL is wholly-owned by China Cinda (HK) which is in turn wholly-owned by Well Kent. Well Kent is wholly-owned by China Cinda Asset Management Co. Ltd.. For the purpose of the SFO, China Cinda (HK), Well Kent and China Cinda Asset Management Co. Ltd. are deemed or taken to be interested in the Shares held by MIL.
- As at 30 September 2012, Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprise Limited beneficially held 263,738,000 Shares, 40,000,000 Shares and 7,000,000 Shares respectively. Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprise Limited are all indirect wholly-owned subsidiaries of China Railway Logistics Limited ("**China Railway**"). For the purpose of the SFO, China Railway is deemed or taken to be interested in the Shares held by Right Magic Limited, Sure Venture Investment Limited and Excel Return Enterprise Limited.
- As at 30 September 2012, Ever Step Holdings Limited was the subscriber of the 12% coupon convertible loan note issued by the Company in the aggregate principal of HK\$40,384,615 due 29 December 2014 with an initial conversion price of HK\$0.2 per conversion Share (subject to adjustment) which can be converted into 201,923,075 conversion Shares upon full conversion at the initial conversion price. Ever Step Holdings Limited is a direct wholly-owned subsidiary of Credit China Holdings Limited ("**Credit China**") which is in turn owned by Kaiser Capital Holdings Limited ("**Kaiser Capital**") as to 34%. Mr. Shi is the sole beneficial owner of the entire equity interest of Kaiser Capital. For the purpose of the SFO, Credit China, Kaiser Capital and Mr. Shi are deemed or taken to be interested in the said 201,923,075 conversion Shares.

Save as disclosed above, and as at 30 September 2012, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.



Corporate Governance and Other Information

The Group is committed to ensuring high standard of corporate governance as the Directors believe that it would improve the effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in the markets and could enhance shareholders' value in consequence. None of the Directors is aware of any matter that would reasonably indicate that the Company being not in compliance with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**Code**") – Appendix 14 to the Listing Rules during the Period.

Changes of Directors' information under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information of the Company since the date of the annual report of the Company for the year ended 31 March 2012 are as follows:

(i) Directors' Updated Biographical Details

Mr. NG Cheuk Fan Keith, an executive Director and the Managing Director of the Company, has resigned as an independent non-executive director of The Hong Kong Building and Loan Agency Limited, a company listed on the Main Board of the Stock Exchange with effect from 3 August 2012.

Mr. XIA Yingyan, an executive Director, has resigned as the manager of Hainan Meilan International Airport Company Limited ("**Hainan Meilan**") with effect from 1 November 2012. Hainan Meilan is a joint stock company incorporated in the PRC with limited liability whose issued shares are listed on the Main Board of the Stock Exchange.

(ii) Directors' Emoluments

The remuneration committee of the Company has reviewed and revised the basic salary of Mr. NG Cheuk Fan Keith ("**Mr. Ng**"), an executive Director and the Managing Director of the Company, with effect from 1 February 2012 based on the performance, experience, ability and responsibility of Mr. Ng and with reference to the market rates. The basic salary payable to Mr. Ng had been increased to HK\$120,500 per month, his Directors' fee remained unchanged. On 30 August 2012, a discretionary bonus of HK\$195,750 was paid to Mr. Ng.

(iii) Change in Positions Held in the Board Committees

Positions held in remuneration committee of the Company	Appointment date	Cessation date
Mr. Zhang – member	15 August 2012	N/A
Mr. Ng – member	N/A	15 August 2012

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the annual report of the Company for the year ended 31 March 2012.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions carried out by the Directors. The Company had made specific enquiry to all Directors and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Period.



Share Option Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the Shareholders on 12 February 2003 (the "2003 Option Scheme"), and was early terminated and replaced by a new share option scheme approved by the Shareholders on 19 August 2011 (the "New Option Scheme").

A summary of the share option schemes is set out below:

(a) 2003 Option Scheme

The 2003 Option Scheme became effective for a period of 10 years commencing on 12 February 2003. Under the terms of the 2003 Option Scheme, the Directors may, at their discretion, grant options to the full-time employees, including Directors of the Company and its subsidiaries, to subscribe for Shares for recognition of their contribution as incentives or rewards. Options granted must be taken up within 30 days of the date of grant. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for Shares during a period of 5 years commencing on the date of acceptance of the option. The 2003 Option Scheme was early terminated and replaced by the New Option Scheme adopted by Shareholders on 19 August 2011.

No share option was granted, exercised, cancelled or lapsed during the Period under the 2003 Option Scheme.

(b) New Option Scheme

At the extraordinary general meeting of the Company held on 19 August 2011 (the "EGM"), an ordinary resolution was passed by the shareholders to approve and adopt the New Option Scheme in place of the 2003 Option Scheme.

The New Option Scheme became effective for a period of 10 years commencing on 19 August 2011. Eligible participants of the New Option Scheme included any employee, included Directors; any business associate; any person or entity that provides research, development or other technological support to the Group or any invested entity, and any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or an invested entity ("**Eligible Participants**"). The Directors may, at their sole discretion, grant to any Eligible Participants options to subscribe for ordinary shares of the Company at a price not less than the higher of (i) the nominal value of the Shares; (ii) the closing price of the Shares on the Stock Exchange on the date of grant; and (iii) the average of the closing prices of the Shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option. The offer of a grant of options must be accepted within 28 days from the offer date. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option which will entitle the holders to subscribe for Shares during a period of 10 years commencing on the date of acceptance of the option.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. Subject to the Shareholders' approval, the maximum number of Shares which may be issued upon exercise of the options to be granted under the New Option Scheme shall not exceed 10% of the Shares in issue as at the date of the approval, or the maximum number of Shares in respect of which options may be granted to any employee may not exceed 1% of the Shares in issue from time to time in a 12-month period. Except for the entitlements of dividends, bonus, rights declared before the exercise of options, any Shares allotted and issued on the exercise of an option will rank pari passu with the other Shares in issue at the date of exercise of the relevant option.

No share option was granted, exercised, cancelled or lapsed during the Period under the New Option Scheme.

As at 30 September 2012, the Company did not have any outstanding options under the 2003 Option Scheme and the New Option Scheme.



Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the Period.

Interim Dividend

The Directors do not declare any interim dividend for the Period.

Review of Financial Information

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. LAM Ka Wai Graham and Mr. TAM B Ray Billy.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the unaudited interim financial statements for the Period and this interim report.

By order of the Board
China Fortune Financial Group Limited
NG Cheuk Fan Keith
Managing Director

Hong Kong, 29 November 2012

As at the date hereof, the Board consists of four executive Directors, namely Mr. Zhang Min (Chairman), Mr. Ng Cheuk Fan Keith (Managing Director), Mr. Hon Chun Yu and Mr. Xia Yingyan; two non-executive Directors, namely Mr. Wong Kam Fat Tony (Vice-chairman) and Mr. Wu Ling; and three independent non-executive Directors, namely Mr. Lam Ka Wai Graham, Mr. Ng Kay Kwok and Mr. Tam B Ray Billy.